

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
OMB-01 /099 W

-----251521Z 102972 /53

P R 251424Z MAR 77
FM USDEL MTN GENEVA
TO SECSTATE WASHDC PRIORITY 2358
INFO AMEMBASSY BUDAPEST

C O N F I D E N T I A L MTN GENEVA 2280

ACTION STR

E.O. 11652: GDS
TAGS: ETRD GATT HU US
SUBJECT: POSSIBLE HUNGARIAN INITIATIVE TO SECURE MFN RELATIONS
WITH US

1. SUMMARY. A SENIOR HUNGARIAN ECONOMIC OFFICIAL SAYS
HUNGARIAN GOVERNMENT INTENDS TO TELL U.S. ON MARCH 31 IN
BUDAPEST THAT GOH WANTS TO ENGAGE IN PROMPT BILATERAL
ECONOMIC NEGOTIATIONS WITH U.S. AIMED AT ESTABLISHING
MFN RELATIONS. HE SAID GOH NOW WILLING TO INCLUDE A
BILATERAL MARKET DISRUPTION CLAUSE TO MEET U.S. TRADE
ACT REQUIREMENTS. END SUMMARY.

2. JANOS NYERGES, A SENIOR HUNGARIAN FOREIGN TRADE MIN-
ISTRY OFFICIAL (WHO CARRIES TITLE OF SPECIAL REPRES-
ENTATIVE FOR INTERNATIONAL ECONOMIC NEGOTIATIONS ON HIS
FREQUENT TRIPS ABROAD) ASKED TO SEE CULBERT ON MARCH 24
TO PASS THE MESSAGE SUMMARIZED ABOVE. HE SAID THE MORE
FORMAL (BUT PROBABLY ORAL) NOTICE TO THIS EFFECT WOULD BE
COMMUNICATED TO EMBASSY CHARGE MUDD IN BUDAPEST MARCH 31
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DURING MEETING SCHEDULED TO DISCUSS CSCE AND BASKET II.

3. REASONS GIVEN BY NYERGES FOR THE IRREGULAR CHANNEL OF
COMMUNICATION WERE: (A) TO TRY TO MAKE SURE THE MESSAGE
ISN'T MISSED IN CONTEXT OF A BROADER DISCUSSION OF CSCE
MATTERS; (B) TO UNDERLINE IMPORTANT CHANGE OF POLICY IT
REFLECTS, NAMELY ABANDONMENT OF PREVIOUS GOE POSITION THAT

TITLE IV OF U.S. TRADE ACT MAKES US-MFN RELATIONS IMPOSSIBLE -- NYERGES SAID EXPLICITLY HE WOULD BE PREPARED TO OFFER A MARKET DISRUPTION CLAUSE ALONG THE LINES OF US-ROMANIAN BILATERAL (ALTHOUGH FOR POLITICAL REASONS HE WOULD WANT SLIGHTLY DIFFERENT WORDING); AND (C) TO EXPLORE INFORMALLY HOW THE HUNGARIAN INITIATIVE MIGHT BEST BE PURSUED -- WHERE, WHEN, AND WITH WHOM.

4. CULBERT SAID HE APPRECIATED THIS INFO AND WOULD PASS IT ON. IN REPLY TO QUERY ABOUT REASONS FOR CHANGE OF HEART ON MARKET DISRUPTION/TITLE IV PROBLEM, NYERGES SAID GOJ CALCULATION AT PRESENT IS THAT THE TOKYO ROUND IS LIKELY TO RESULT IN MAJOR TARIFF CUTS BY U.S.; THEREFORE CONTINUED ABSENCE OF US-HUNGARIAN MFN RELATIONS WILL MAKE HUNGARIAN COMPETITIVE POSITION IN U.S. MARKET MUCH WORSE THAN AT PRESENT AND THE SAME FOR U.S. COMPETITIVE POSITION IN HUNGARIAN MARKET. NYERGES SAID GOH DISSATISFACTION WITH SLOW PACE OF EC LIBERALIZATION OF DISCRIMINATORY QRS AGAINST HUNGARY WAS ALSO A FACTOR IN THAT HE PERSONALLY UNDERSTOOD MERIT OF U.S. POSITION THAT SIMPLE U.S. DISINVOCATION OF GATT ARTICLE XXXV WOULD LEAVE U.S. WITH ONLY THE PROTECTION OFFERED BY GATT ARTICLES AND HUNGARY'S PROTOCOL OF ACCESSION WHILE EC HAS THIS PLUS QRS.

5. CONCERNING FOLLOW-UP, NYERGES SAID HE WOULD WELCOME ANY SUGGESTIONS, PROFESSING TO BE OPENMINDED WHETHER TO HOLD SUCH TALKS IN WASHINGTON, BUDAPEST OR EVEN GENEVA. WHAT HE SEEMED TO BE SAYING WAS IT WOULD BE UP TO USG TO PURSUE THE STATEMENT GOH WOULD MAKE ON MARCH 31 BY PRO-CONFIDENTIAL

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POSING A TIME AND PLACE FOR DETAILED FOLLOW-UP DISCUSSIONS AND/OR NEGOTIATION.

6. COMMENT. POINTS RECORDED ABOVE WERE PRECEDED BY NYERGES PROBING ABOUT INTENT OF NEW ADMINISTRATION'S HUMAN RIGHTS CAMPAIGN; NYERGES FEARED A FREEZE MAY BE COMING IN US-USSR RELATIONS WHICH IN TURN MIGHT TRANSLATE INTO SOVIET PRESSURE ON SMALLER EASTERN EUROPEANS TO TOE THE LINE. NYERGES CLAIMED JACKSON-VANIK AMENDMENT IN TRADE ACT HAS NEVER BEEN A PRACTICAL OBSTACLE TO MFN RELATIONS (HE SAYS ALL JEWS WHO WANT TO LEAVE HAVE ALREADY LEFT) BUT HE SEEMED CON-

CERNED ABOUT AN UPPING OF THE STAKES ON U.S. SIDE IF IT TOOK FORM OF INSISTING THAT CITIZENS OF FOREIGN COUNTRIES MUST HAVE THE RIGHT TO ENGAGE IN "ANTI-STATE PROPAGANDA" WHICH IS OUTLAWED BY HUNGARIAN CONSTITUTION. IT IS POSSIBLE THAT WHAT NYERGES WAS PASSING ON IN THIS UNUSUAL WAY IS THAT HUNGARIAN GOVT MAY DELIVER SOME STIFF COMMENTS TO U.S. EMBASSY NEXT WEEK ABOUT HUNGARIAN ATTITUDE

TOWARD DISSIDENTS AND HE HOPES THIS WON'T BLIND US TO
THE GOH INITIATIVE ON A BILATERAL ECONOMIC NEGOTIATION.
WE SHOULD OBVIOUSLY WAIT TO SEE IF ANYTHING LIKE THIS
INITIATIVE MATERIALIZES IN BUDAPEST. WALKER

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Message Attributes

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Copy: SINGLE
Sent Date: 25-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
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